The NHI Bill, MSA Bill and HMI

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DISCOVERY HEALTH

“The secret of change is to focus all of your energy not on fighting the old, but on building the new” - Socrates

Agenda

1. Introduction
2. The NHI Trajectory
3. The NHI Bill
4. The MSA Bill
5. The HMI
6. Where to from here?

Problem statement: the South African health system faces a number of intersecting challenges

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Disease Burden

South Africa faces a quadruple burden of disease

Declining Expenditure

Per capita spend on health is under pressure and declining

Fragmented Health System

The health system is uncoordinated, incentives not aligned

Resource distribution

The distribution of health, administrative and management skills is skewed

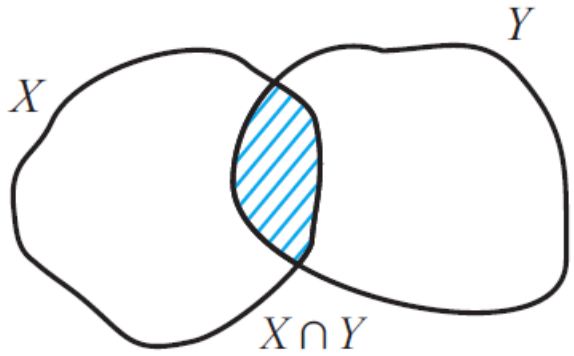
Inefficiencies and wastage

- Public Sector – management, delivery and capacity challenges
- Private Sector – escalating costs and clinical governance challenges

Lack of data

Lack of a comprehensive health information system

The complex health financing landscape in South Africa



- 17% of the population has **medical scheme** cover
- 2017 General Household Survey (Stats SA)
  - **27%** of households use private healthcare facilities as point of entry
  - **23%** of households have at least one member on a medical scheme
- National Income Dynamics survey (UCT, 2014)
  - **41%** used private provider at last visit
- McIntyre and Ataguba 2017: **20%** of utilisation in the lowest income quintile occurs in the private sector
- SA enjoys high levels of **catastrophic cost protection** (World Bank)
- And low levels of **out of pocket** expenditure (WHO).

The NHI Bill

Discovery Health

Purpose

NHI is a public health **financing system** with the objective of improving health access, quality and cost

Funding

Pooling of funds to provide access to quality healthcare for all, irrespective of socio-economic status, **no hardship** on health events

Contractual arrangements with the public and private (voluntary) sectors

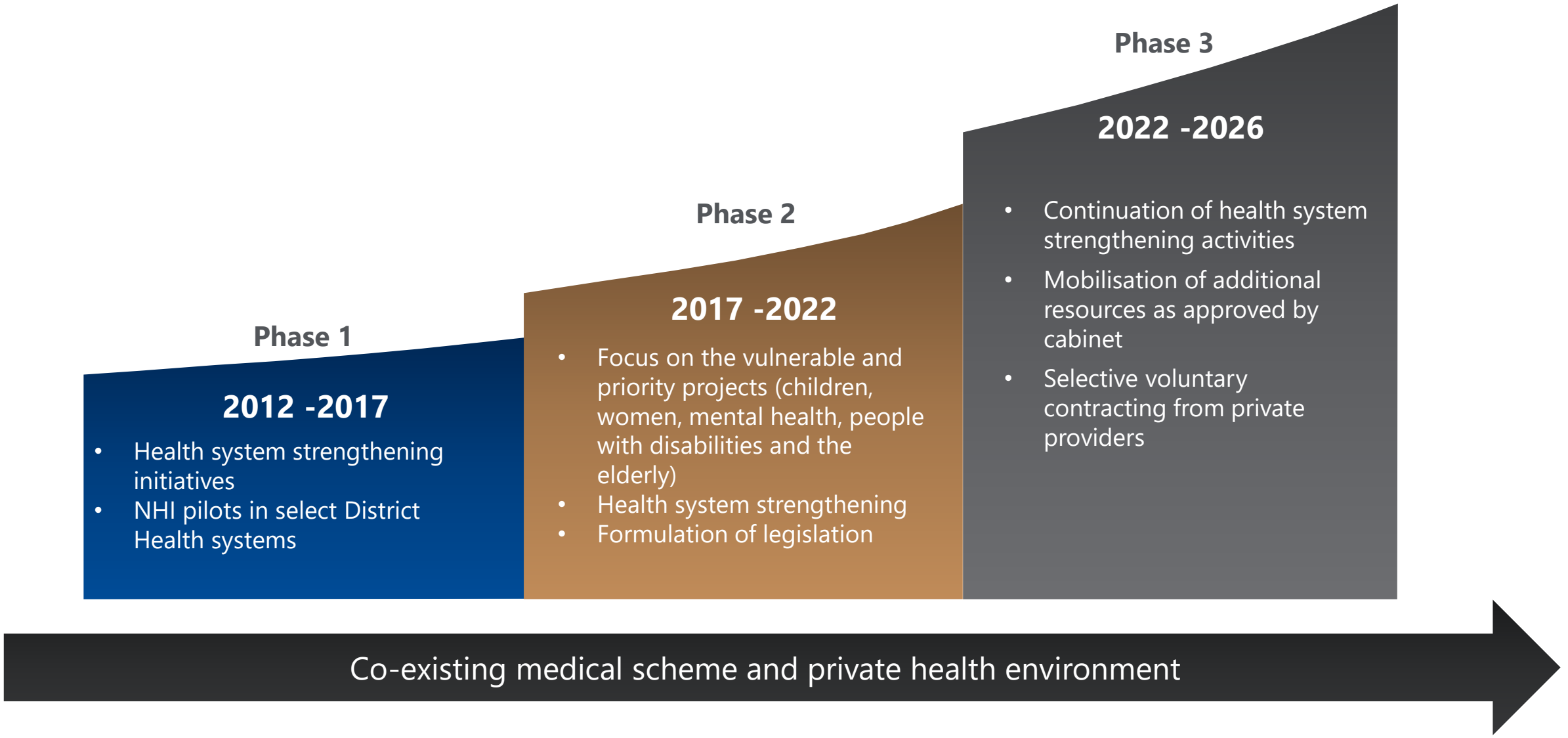
For **Private** Sector:

Reimbursement systems need to be addressed to align incentives

For **Public** Sector:

Quality is biggest factor – needs accreditation to work

NHI trajectory – in theory



Sample models for voluntary contracting

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1 Private Sector Sessional Work

- Private specialists undertake planning
- Adequate supporting staff and equipment
- Availability and willingness of private providers

2 Private Sector Service Delivery

- Private specialists undertake treatment planning
- The patient will be transported to the private facility

3 Leasing of Private Equipment by State

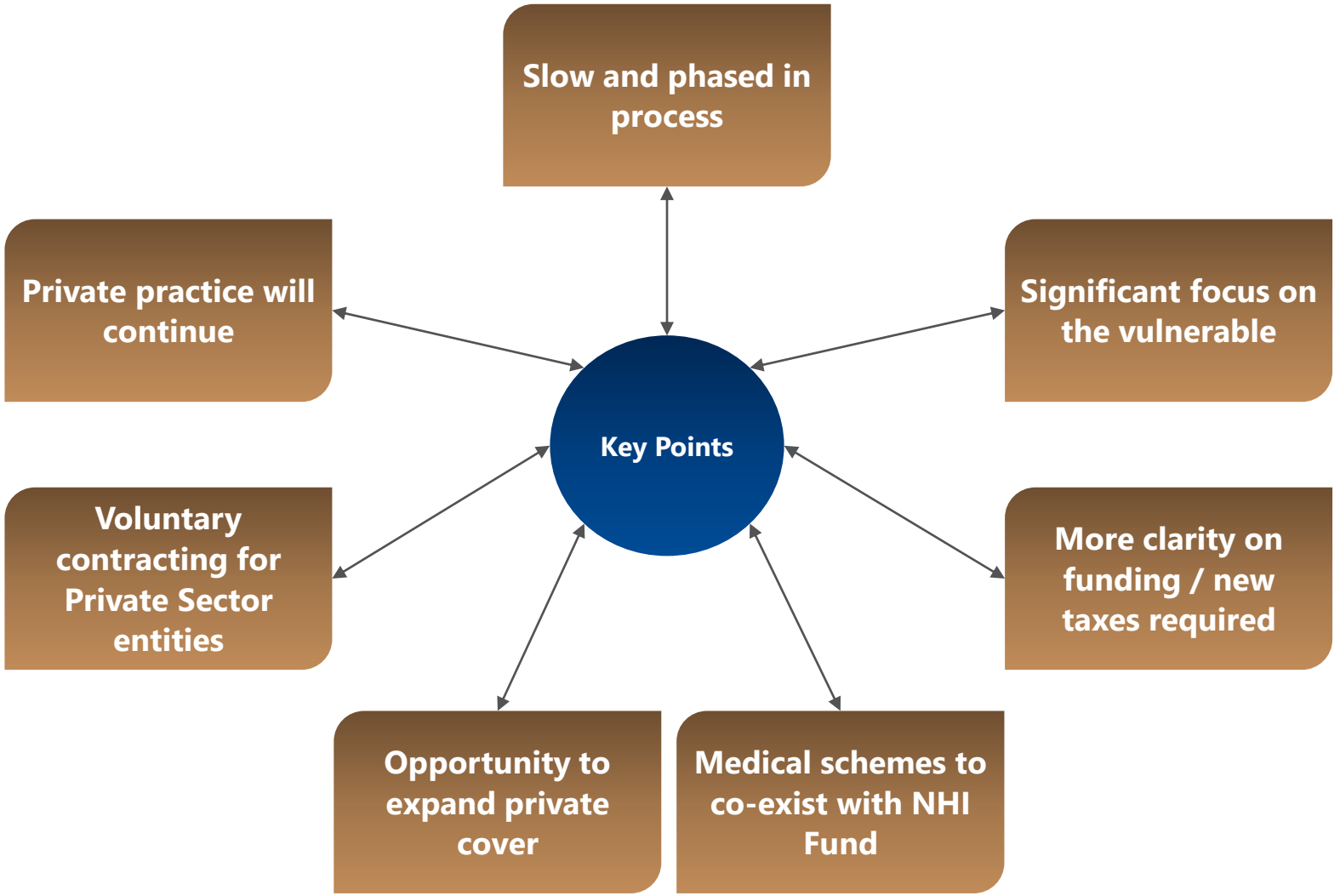
- Public sector performs the treatment in the private facility with the private equipment
- Willingness of private sector to lease owned facilities and equipment

4 Procurement of Equipment

- Based on projected need
- Management process for the maintenance of equipment
- Requires adequate technical expertise for maintenance and support

There is potential for multiple models to be utilised simultaneously

NHI Bill: Business impacts



The legislative process for the NHI and MSA Bills

1

Public Comment

For 21 September 2018

2

Nedlac

Deliberation between business, government, labour and community

3

Portfolio Committee

Deliberation by a specialised portfolio committee

4

Parliament

Deliberation by local and provincial governments

5

Signed into law

Final law and commencement of implementation

The Medical Schemes Act (MSA) Amendment Bill

MSA Bill: Business impacts

1. Changes to **powers** of the Registrar and the **appeal process**
2. Implications of changes in **waiting periods**
3. Implications of proposed **contribution rate structures**
4. The **role of brokers**
5. Information **requirements (beneficiary register, health care provider register and tariffs)**
6. **Duplicative cost implications –** conflicts between NHI Bill and MSA Bill
7. Detail on **comprehensive service benefits** and mandatory benefits required

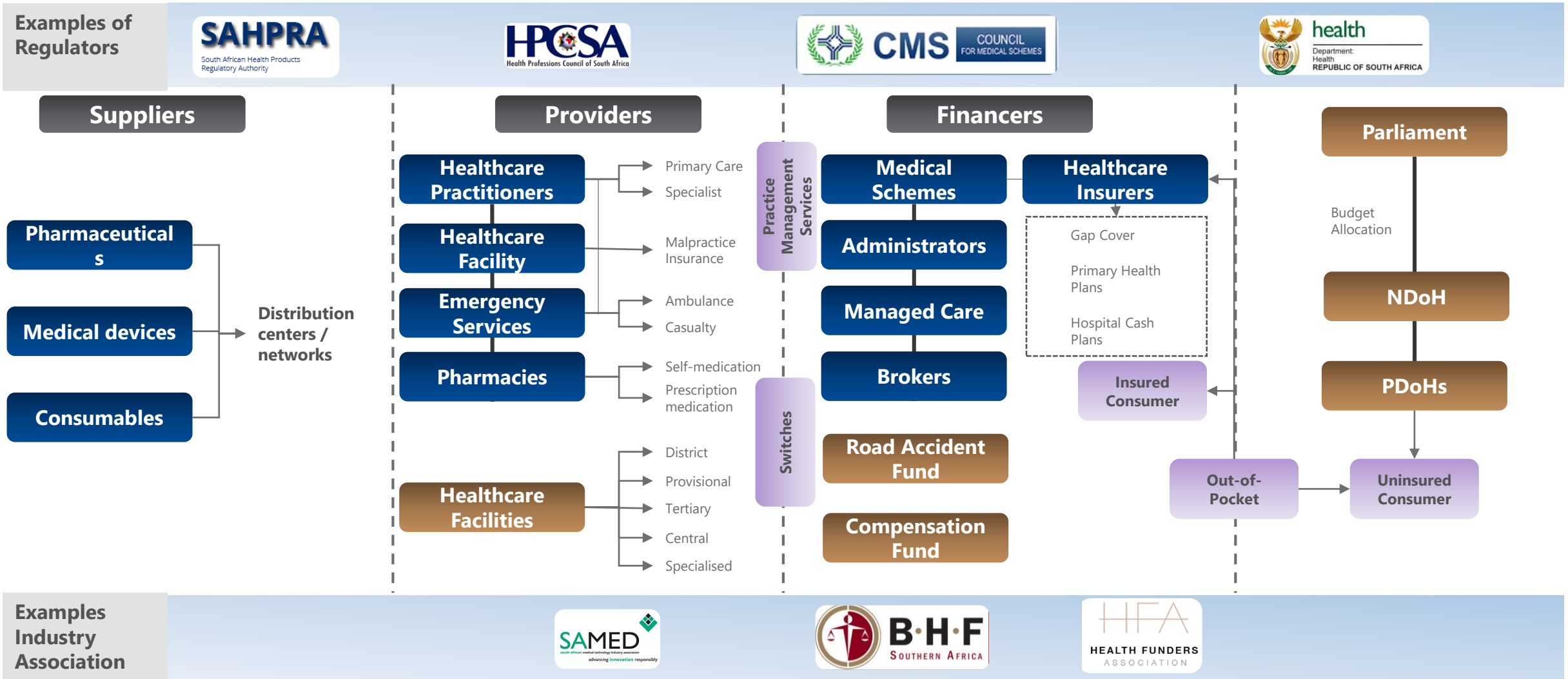
Overview

- **NHI Bill**
  - Urgent need to improve access for vulnerable groups – funding vehicle for priority projects.
  - Immediate need to improve public sector delivery and training of healthcare professionals.
  - Parallel role for medical schemes will improve levels of cover for all.
  - Partnership to promote UHC.
  - Measurable targets for phases.

- **MSA Bill**
  - Intentions of improving access and lowering cost not met by proposed amendments.
  - Allowing Registrar to usurp role of Trustees and Council will create risk and uncertainty.
  - There is an urgent need to address affordability – HMI recommendations.
  - Need stable and sustainable risk pools.
  - UHC is enhanced by ensuring that medical schemes are able to operate parallel to the NHI Fund.

The Health Market Inquiry (HMI)

HMI Market Assessment



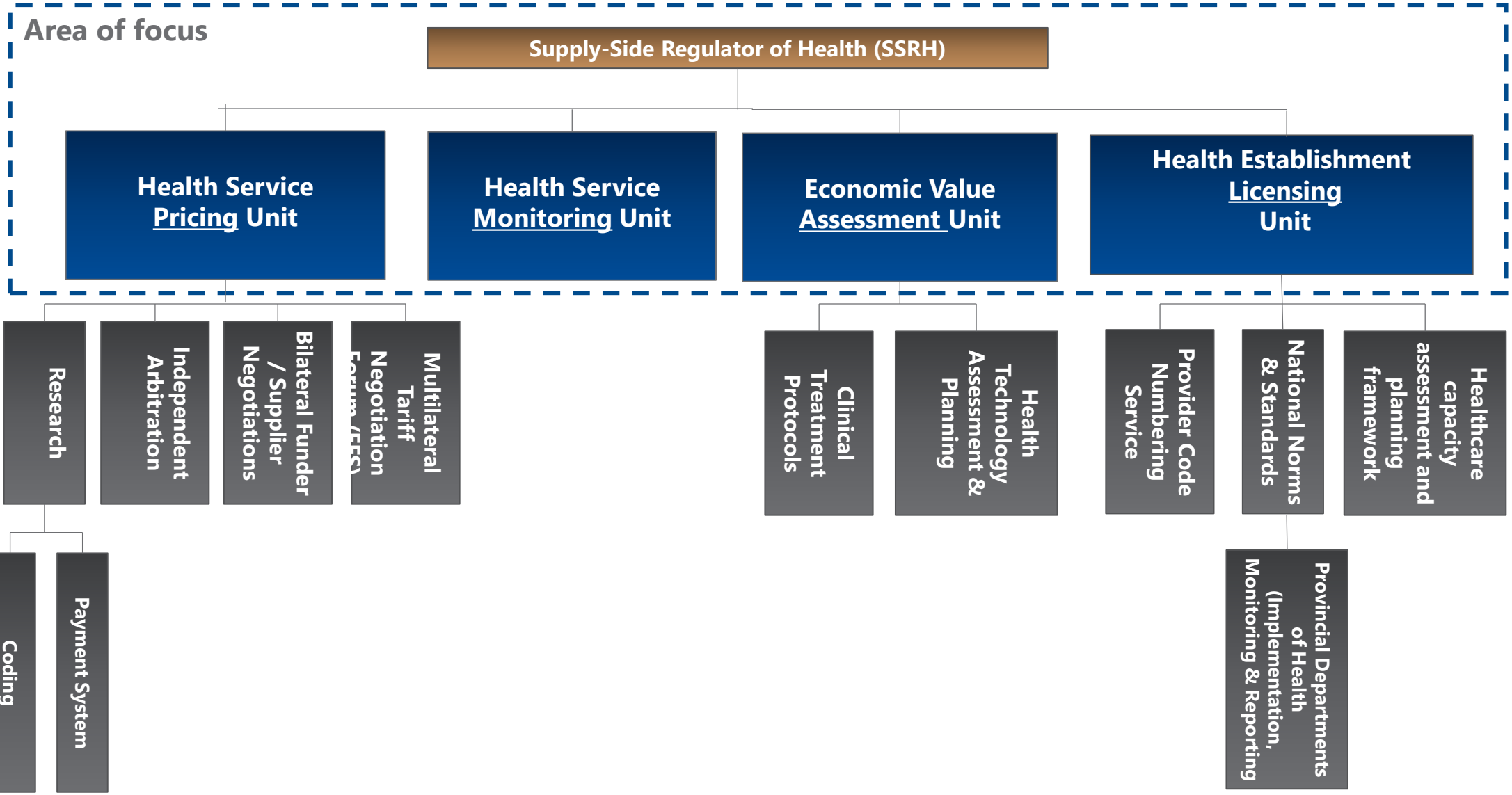
Source: Adapted from HMI provisional report

KEY: Private Sector | Public Sector

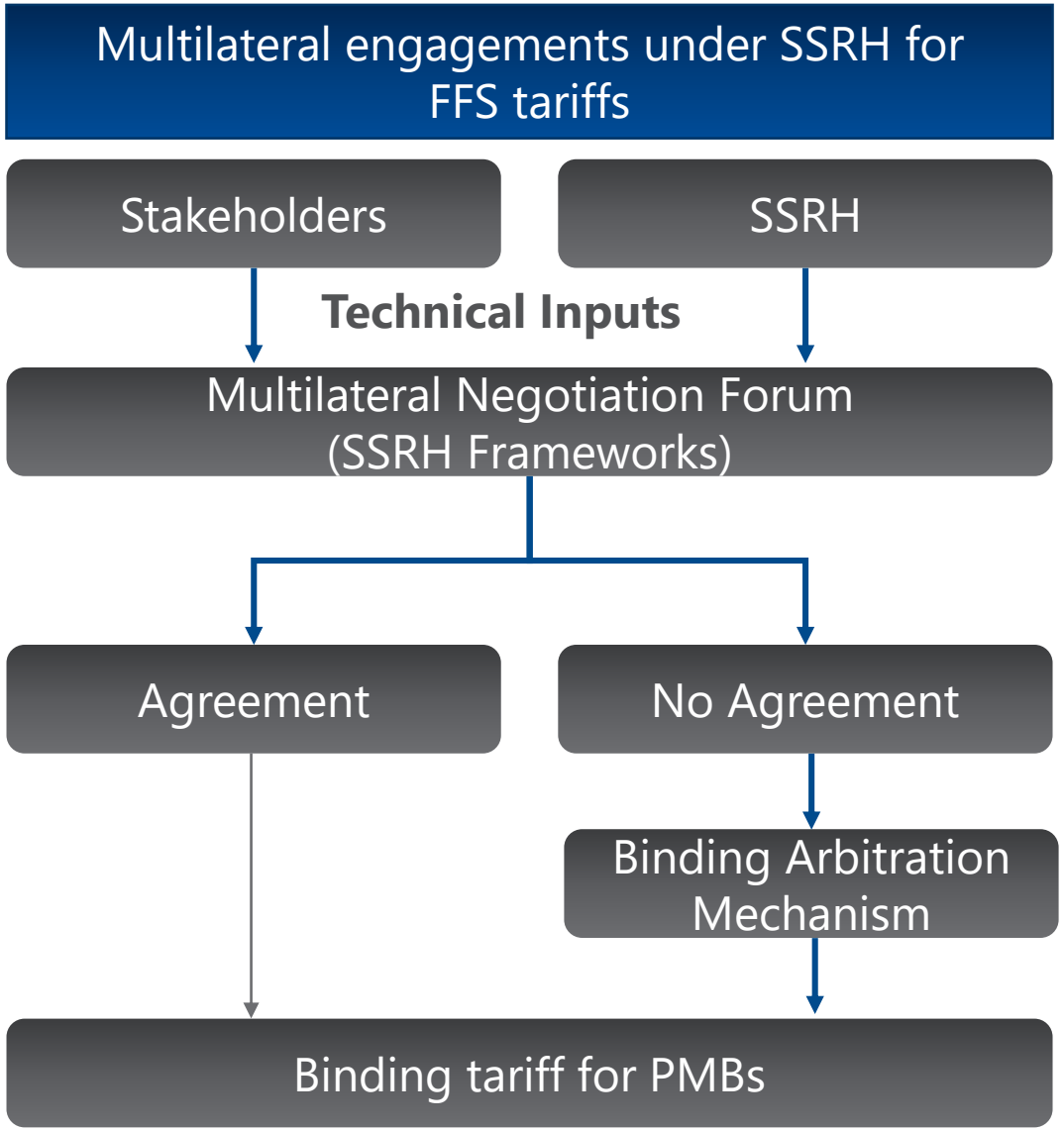
HMI Findings – Providers (facilities and practitioners)

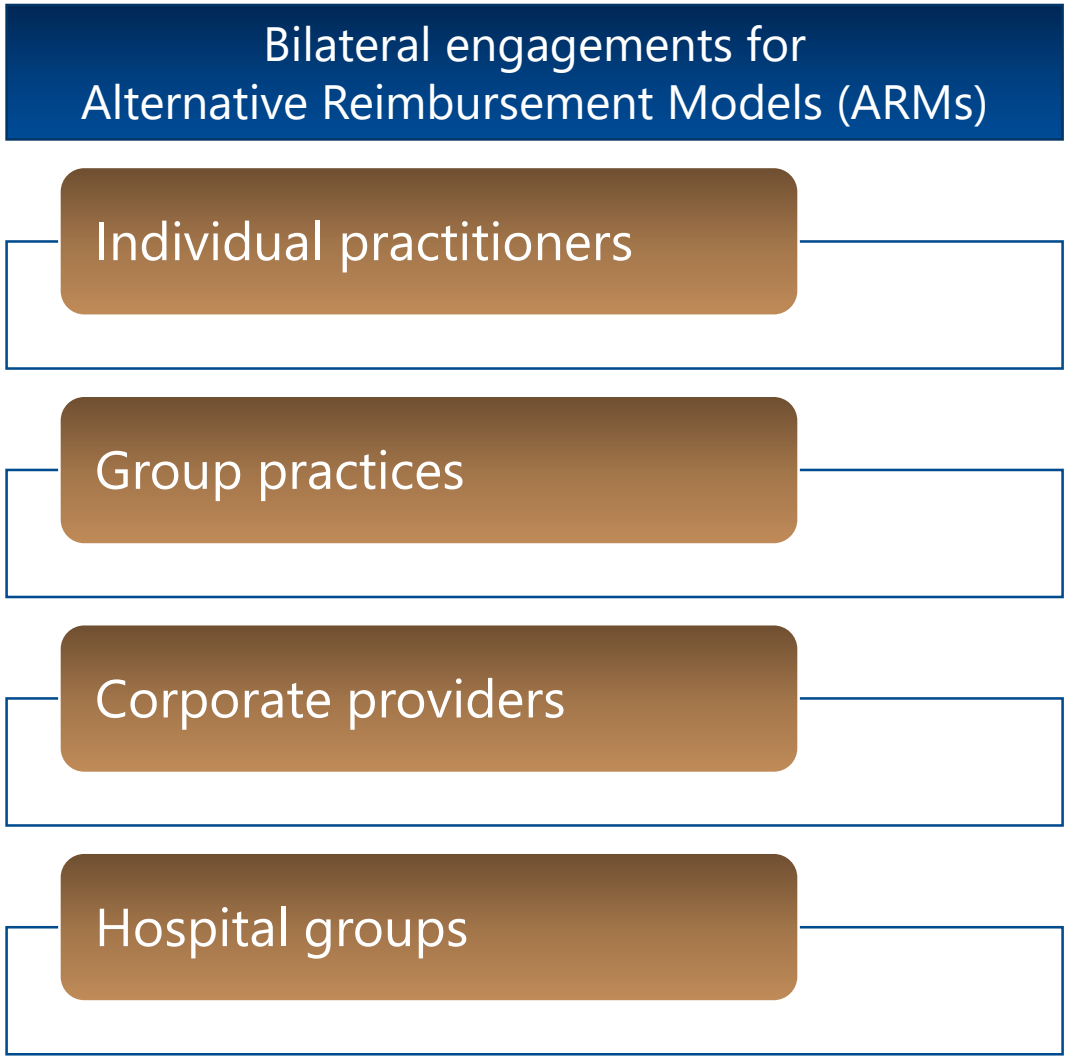
Findings	Recommendations
1. Highly **concentrated hospital market**	1. Single **supply side regulator**
2. Regulation fragmented	2. Revised **licensing framework**
3. Failure of self-regulation by professional bodies	**3. Tariff setting** proposals
4. Evidence of **over servicing**	**4. ARMs** encouraged
5. FFS exacerbates **supplier induced demand**	**5. Networks** encouraged (role of co-payments)
6. Licensing ineffective	**6. Standardised coding**
	7. HPCSA rules
	8. Quality measurement and reporting

Supply side regulation – very complex proposals



Tariff setting process – also highly complex





HMI Findings – Funders (schemes and administrators)

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Findings

1. **Complexity** and lack of transparency
2. **Escalating costs** and decreasing cover
3. Schemes have failed to manage **supplier induced demand**
4. **Brokers** play important role in advising members
5. **Discovery Health profitability** much higher than competitors

Recommendations

1. More **oversight** by CMS
2. Implementation of ARMs, **value based contracting**, multi-disciplinary teams
3. **Mandatory base** benefit package risk equalized
4. Restructure **tax credits** to create income subsidy
5. **Opt-in** structure for brokers with lower contributions if not used
6. **Discount** for younger members

Application of Tools/Assets Across the Health Value Chain

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1 Member strategies

- Disease Management & Benefit Programmes
- Care Coordination
- Patient Empowerment
- Wellness
- Benefit Design

2 Healthcare professional strategies

- Networks & payment arrangements
- Profiling & Outlier management
- Value Based Governance Projects
- Quality of Care Management
- Benefit Design

3 Hospital strategies

- Network development
- Alternative Reimbursement Models
- Profiling & Outlier Management
- Quality of Care
- Benefit Design

4 Medicines & Devices strategies

- Pricing strategies & Procurement
- Pharmacy network development
- Supply Chain Integration
- Benefit Design

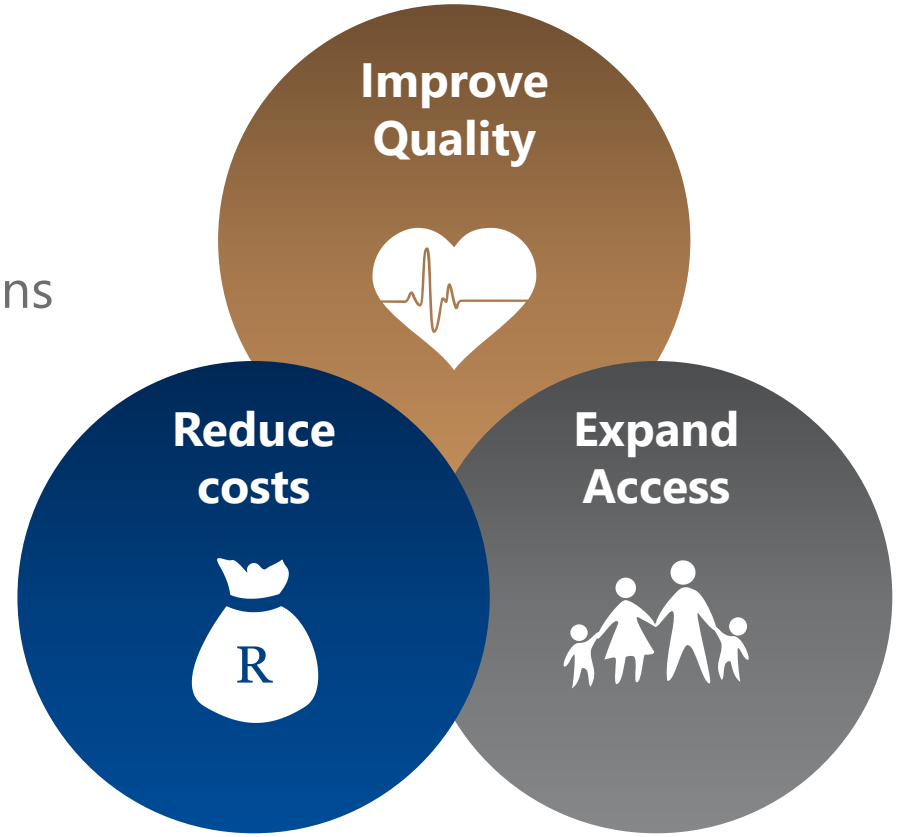
5 Fraud

- Detection & Analytics
- Interventions
- Engagement

Continuous Data Driven Optimisation

What Discovery is doing:

- **Gathering commentary** and **input**
- **Engagement** and **discussion** with HPs and other professions
- Quantitative **analysis**
- Formal **submissions**
- **Participation** in forums
- **Support** for UHC process
- **Expand access** to quality healthcare services



Get involved in the discussion!

Thank you. Questions?